

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 EAE-00 L-03 H-02 CIAE-00
DODE-00 INR-07 NSAE-00 PA-02 USIA-15 PRS-01 SP-02
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 8120
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 TOKYO 7789

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: PRESS COVERAGE OF SECRETARY BLUMENTHAL'S INTERNATIONAL
MONETARY CONFERENCE SPEECH AND PRESS CONFERENCE

1. SUMMARY: PRESS COVERAGE OF SECRETARY BLUMENTHAL'S
INTERNATIONAL MONETARY CONFERENCE (IMC) SPEECH IN TOKYO
MAY 25 AND FOLLOWING PRESS CONFERENCE EMPHASIZED HIS CALL FOR
JAPAN AND OTHER ECONOMICALLY STRONG COUNTRIES TO SHARE CURRENT
ACCOUNT DEFICITS. REPORTS ALSO CITE SECRETARY'S REFERENCE TO
YEN APPRECIATION AS ONE MEANS OF REDUCING JAPAN'S CURRENT ACCOUNT
SURPLUS AND HIS CALL FOR INCREASED DOMESTIC DEMAND RATHER THAN
EXPORT-LED GROWTH. END SUMMARY.

2. ENGLISH-LANGUAGE PRESS HEADLINES ON SECRETARY
BLUMENTHAL'S MAY 25 ADDRESS TO THE IMC AND FOLLOWING PRESS
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CONFERENCE AS FOLLOWS: JAPAN SHOULD REDUCE CURRENT
PAYMENTS SURPLUS (JAPAN TIMES); BLUMENTHAL; INCREASE
DOMESTIC CONSUMPTION (MAINICHI); BLUMENTHAL PRODS JAPAN
(DAILY YOMIURI); U.S. WILL RUN BIG TRADE DEFICIT TO HELP
RECOVERY (ASAHI FRONT-PAGE ARTICLE); UPVALUE YEN,
GIVE MORE FOREIGN AID (ASAHI INSIDE ARTICLE). JAPANESE
LANGUAGE PRESS HEADLINES AS FOLLOWS: U.S. TREASURY SECRETARY

ASKS JAPAN TO BEAR SHARE IN DEFICIT; STIMULATION OF DOMESTIC DEMAND AND HIGH YEN POLICY (NIHON KEIZAI); BLUMENTHAL HOPES JAPAN WILL MOVE INTO DEFICIT AS EARLY AS POSSIBLE THROUGH YEN APPRECIATION, ETC. (MAINICHI); BLUMENTHAL EXPECTS YEN APPRECIATION (ASAHI); JAPAN CAN ACHIEVE TARGET OF CURRENT ACCOUNT DEFICIT: YEN APPRECIATION ONE OF MEANS (TOKYO SHIMBUN); THERE IS ROOM FOR FURTHER YEN APPRECIATION: U.S. TREASURY SECRETARY URGES JAPAN TO RUN CURRENT ACCOUNT DEFICIT (YOMIURI FRONT-PAGE ARTICLE); REVIVAL OF FOREIGN PRESSURE ON JAPAN: U.S. TREASURY SECRETARY PROPOSES YEN APPRECIATION: STRESSES DOMESTIC DEMAND RATHER THAN EXPORTS (YOMIURI INSIDE ARTICLE).

3. AS SUGGESTED BY FOREGOING HEADLINES, REPORTING OF SECRETARY BLUMENTHAL'S SPEECH AND PRESS CONFERENCE EMPHASIZED HIS CALL FOR JAPAN AND OTHER ECONOMICALLY STRONG COUNTRIES TO FOLLOW THE U.S. IN ACCEPTING CURRENT ACCOUNT DETERIORATION. PRESS PLAY ALSO HIGHLIGHTS HIS INDICATION THAT THE U.S. EXPECTS THIS YEAR A CURRENT ACCOUNT DEFICIT OF \$10 TO \$12 BIL AND WAS PREPARED TO ACCEPT SUCH A DEFICIT. ANOTHER THEME WIDELY REPORTED IS HIS ENUMERATION OF CONCRETE MEASURES WHICH MIGHT SERVE TO REDUCE JAPAN'S CURRENT ACCOUNT SURPLUS, LISTING STIMULATION OF DOMESTIC DEMAND, RATHER THAN EXPORT-LED RECOVERY, ALLOWING THE YEN TO APPRECIATE FURTHER, AND INCREASED FOREIGN AID. CONSIDERABLE ATTENTION HAS FOCUSED ON SECRETARY'S REFERENCES TO YEN APPRECIATION. HOWEVER, LEADING ECONOMIC JOURNAL, NIHON KEIZAI, BALANCES CITATION OF SECRETARY'S REFERENCES TO THE POSSIBILITY OF FURTHER UNCLASSIFIED

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YEN APPRECIATION AGAINST HIS EXPRESSION OF SATISFACTION WITH THE RECENT TRENDS IN THE YEN RATE.

4. FOLLOWING IS TEXT OF EMBASSY TRANSLATION OF NIHON KEIZAI COVERAGE: BEGIN TEXT

US SECY OF THE TREASURY BLUMENTHAL, WHO IS NOW VISITING, DEFINITELY CLARIFIED AMERICA'S INTL PAYMENTS ACCOUNTS STRATEGY, THROUGH HIS SPEECH AT A GENERAL MEETING OF THE IMC, HELD ON THE AFTERNOON OF THE 25TH, AND ALSO THROUGH A PRESS CONFERENCE. HE POINTED OUT THAT THE DEFICIT IN THE CURRENT ACCOUNTS OF THE US WILL REACH 10 TO 12 BIL DOLLARS THIS YEAR. HE ALSO SAID QUOTE THE US WILL WITHSTAND SUCH A DEFICIT. END QUOTE. MOREOVER, HE EMPHASIZED THAT JAPAN, WEST GERMANY, AND OTHER SURPLUS BALANCE NATIONS SHOULD ALSO SHARE THE DEFICIT IN THE CURRENT ACCOUNTS, FOLLOWING THE U.S. TOWARD JAPAN, HE LISTED THE FOLLOWING THREE POINTS, AS CONCRETE MEASURES TO "REDUCE ITS SURPLUS BALANCE": (1) THE REALIZATION

OF ECONOMIC GROWTH THROUGH THE STIMULATION OF DOMESTIC DEMAND, AND NOT THROUGH THE PROMOTION OF EXPORTS; (2) THE FURTHER RAISING OF THE VALUE OF THE YEN FROM THE PRESENT LEVEL; AND (3) THE INCREASING OF FOREIGN AID. HE ALSO CLARIFIED THAT ON THE OCCASION OF HIS VISIT TO JAPAN THIS TIME, HE HAS OFFICIALLY SUBMITTED REQUESTS TO THE JAPANESE GOVT. AT THE LONDON SUMMIT CONFERENCE, WHICH WAS HELD EARLIER, THE RESPONSIBILITY OF THE SURPLUS BALANCE NATIONS WAS EMPHASIZED. NEVERTHELESS, THE INTL PAYMENTS ACCOUNTS OF JAPAN HAVE BEEN STILL MAINTAINING A SURPLUS BALANCE KEYNOTE. THEREFORE, AMERICA'S REQUEST FOR THE "SHARING OF THE DEFICIT" IN THE CURRENT ACCOUNTS WILL PROBABLY CAUSE RIPPLES IN THE FUTURE.

THE AIM OF SECY BLUMENTHAL'S CURRENT VISIT TO JAPAN IS TO ATTEND THE IMC GENERAL MEETING. HOWEVER, DURING HIS STAY IN JAPAN, HE HAS HELD SEPARATE TALKS WITH PRIME
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MINISTER FUKUDA, FINANCE MINISTER BOH, FOREIGN MINISTER HATOYAMA, AND OTHERS. AT A LUNCHEON HELD AT THE TIME OF THE IMC GENERAL MEETING ON THE 25TH, HE DELIVERED A SPEECH, TITLED "AIMING AT INTL BALANCE -- LONGER-TERM STRATEGY." AFTER THAT, HELD A CONFERENCE WITH JAPANESE NEWSPAPERMEN AND FOREIGN CORRESPONDENTS, AND EXPLAINED CONCRETELY THE INFL ACCOUNTS STRATEGY OF THE U.S.

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FM AMEMBASSY TOKYO
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INFO AMEMBASSY BONN
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AT THE PRESS CONFERENCE, SECY BLUMENTHAL STATED THAT SO LONG AS THE LARGE-SCALE SURPLUS BALANCE ON THE PART OF THE VARIOUS OPEC MEMBER NATIONS CONTINUES FOR A LONG PERIOD OF TIME, IT IS DESIRABLE THAT THE DEFICITS ON THE PART OF COUNTRIES OTHER THAN THE OPEC MEMBER NATIONS WILL BE SHARED EQUALLY AMONG THOSE COUNTRIES IN PROPORTION TO THEIR POWER FOR THE PROCUREMENT OF CAPITAL. HE EMPHASIZED THAT FOR THE PURPOSE, THE SURPLUS BALANCE NATIONS "MUST ADOPT POLICIES FOR SECURING DOMESTIC GROWTH WHICH CAN BE MAINTAINED TO THE MAXIMUM EXTENT."

IN THIS CONNECTION, SECY BLUMENTHAL SAID THAT THE U.S. CURRENT ACCOUNTS, WHICH RECORDED A SURPLUS BALANCE OF \$11 BIL TWO YEARS AGO, ARE EXPECTED TO SHOW A DEFICIT OF \$10 TO 12 BIL THIS YEAR. HE ALSO POINTED OUT THAT "A DRAMATIC CHANGE IS ALREADY ARISING." MOREOVER, UNCLASSIFIED

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HE STATED THAT IN ORDER TO STABILIZE THE INTL MONETARY SYSTEM AND TO DEVELOP THE WORLD ECONOMY, THE U.S. IS PREPARED TO PUT UP WITH SUCH A DEFICIT. AND, HE APPEALED TO JAPAN, WEST GERMANY, THE NETHERLANDS, SWITZERLAND, AND OTHER SURPLUS BALANCE NATIONS ON THE NEED TO CAUSE THE SAME CHANGE (THE ARISING OF A LARGE-SCALE DEFICIT IN THE CURRENT ACCOUNTS) AS IN THE CASE OF THE U.S. THUS, HE SOUGHT THE POSITIVE STIMULATION OF BUSINESS AND THE ADOPTION OF FLEXIBLE EXCHANGE RATE POLICIES. IN PARTICULAR, HE CONCRETELY LISTED THREE POINTS, THAT IS, THE STIMULATION OF COMESTIC DEMAND, THE ADOPTION OF A HIGH-YEN POLICY, AND THE INCREASING OF FOREIGN AID.

IN REGARD TO THE PROPOSED REALIZATION OF ECONOMIC GROWTH, HE STRONGLY DESIRED THE "ACHIEVEMENT OF GROWTH WITHOUT PROMOTING EXPORTS." THUS, HE CLARIFIED THAT THE U.S. HAS STRONG INTEREST IN THE PROCESS OF IMPROVING JAPANESE BUSINESS IN THE FUTURE. AS REGARDS THE RECENT HIGH-YEN TREND, HE EXPRESSED "SATISFACTION." BUT HE STATED THAT IF THE SURPLUS BALANCE KEYNOTE IS TO CONTINUE IN THE FUTURE, TOO, "IT WILL BE DESIRABLE TO REVALUE THE YEN." SO SAYING, HE EMPHASIZED THAT THE HIGH-YEN POLICY SHOULD BE CONTINUED IN THE FUTURE,

TOO. END TEXT.
SHOESMITH

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